

**TESTIMONY OF ROBERT KELTER
ENVIRONMENTAL LAW AND POLICY CENTER
OHIO SENATE ENERGY AND PUBLIC UTILITIES COMMITTEE
INTERESTED PARTY TESTIMONY HB 128
TUESDAY MARCH 23, 2021**

Good afternoon Chairman Peterson, Vice Chair Schuring, Ranking Member Williams and members of the committee. Thank you for the opportunity to testify before you today. ELPC is a regional environmental organization that operates around the Midwest, including our office in Ohio. As an environmental organization we have a strong belief in consumer protection, and we support balanced energy policies that benefit both consumers and the environment. I have been at ELPC for more than a decade and have litigated numerous cases at the Ohio Public Utilities Commission, as well as the state commissions in Illinois, Michigan, Wisconsin and Indiana.

Environmental Law and Policy Center testifies as interested party today because we support the essence of what is in HB 128, but as written it leaves out critical elements that we hope the committee will address in future legislation. To be clear, ELPC supports eliminating the nuclear subsidies, but that is only half of what HB 6 did. It also eliminated the state's energy efficiency and renewable energy standards, and today I want to talk about that half of the legislation.

Specifically, I want to focus on the consequences from eliminating the energy efficiency standards in HB 6. While the legislature argued that this saved customers money on their bills, this is a mischaracterization of the true effect of HB 6. Energy efficiency helps customers reduce their usage, and it lowers bills for everyone. Utility run programs help customers use less energy and save money. It's important to understand that the law required that all energy efficiency programs must be "cost-effective." As the law defined it, cost-effective means that efficiency must cost less than the generation it replaces. Essentially, utilities can meet customer demand by either purchasing electricity on the wholesale market or helping customers reduce their usage so that utilities need to purchase fewer electrons. Even with the flaws that legislators have pointed out with the efficiency programs, they still produced savings for customers.

Energy waste reduction programs offer customers discounts and rebates that encourage them to purchase lighting and invest in weatherization that reduce their bills. Using a smart thermostat as an example, a smart thermostat costs between \$150 and \$250, while a manual or programmable thermostat may only cost \$25-\$50. The payback period on a smart thermostat is generally 12-18 months. Should customers make that purchase without a utility sponsored discount? Yes, they should. But most customers, especially so many Ohioans who struggle to meet their monthly expenses, won't make the investment absent the utility discount. That discount shortens the payback period and provides a nudge to take advantage of savings.

The programs work, even if they aren't perfect. Most importantly, they save money for not only the participants but also the customers who don't take advantage of the programs. In 2015 legislators who opposed the energy efficiency and renewable energy programs asked the PUCO Staff to analyze them and the Commission concluded that the one percent annual reduction target, meant that utilities needed to purchase one percent less generation than it would have needed to purchase for that year. This includes needing to purchase less power at peak times when wholesale prices rise, which is why the Staff estimated a savings of 5.7%. Here is the exact language:

Market price suppression is an added benefit of energy efficiency projects. Price suppression occurs when the demand for electricity is reduced. As less generation is needed to meet demand, market prices for electricity decrease. Through a series of forecasts, the potential effect of price suppression from energy efficiency on the wholesale market may be examined.

The PUCO forecasted¹ how an overall 1 percent reduction in demand affects wholesales pricing. The forecast began with an average wholesale market cost of \$52.71 per MWh, and then held all variables constant but reduced the load or demand for energy by 1 percent. The resulting change was an annualized cost forecasted at \$49.87 per MWh, a reduction of 5.7 percent. The forecast is a high level evaluation into the wholesale market with a multitude of variables and assumptions made to evaluate the potential market price suppression. *PUCO Letter to Energy Mandate Study Committee, Feb. 26, 2015.*

In an effort to address legislators concerns about the programs we have developed a new energy waste reduction proposal that tightens up the programs to produce better results: The new proposal would:

- Prohibit utilities from sending out kits or any other measures that customers don't request;
- Limit the residential plans to measures that reduce energy usage to lighting and cooling/heating and water heaters, which eliminates discounts on appliances and pool pumps.
- Require the Commission to hire the auditors that measure program savings;

¹ Raw data sourced through Ventyx

ELPC also recommends that as part of this process the committee bring in the utilities themselves to answer questions, and PJM to discuss the regional transmission operator's position on energy efficiency. ELPC believes that these parties will add to this discussion. But recognizing the months of debate over the summer and fall, and the concerns raised by legislators ELPC proposes the following amendment to HB 128:

The legislature encourages utilities to file voluntary Energy Waste Reduction Plans (EWRP) to replace the Energy Efficiency plans that ended at the end of 2020. The Commission shall approve any voluntary plan that meets the utility consumer test for cost effectiveness, as well as just and reasonable standards. The Commission may modify any voluntary plans to ensure the program provides maximum benefits to customers. Utilities shall amortize the costs of the EWRP over a period of 5-7 years approved by the Commission. Utilities may earn a return on equity for spending on their EWRP starting when they reach .75 annual savings and the Commission may increase the return on equity by a reasonable amount for savings achieved above .75 annual savings. Savings must be generated by programs in the EWRP and cannot include any capital investment already earning a return on equity. Reviews of the programs must be by independent firms hired by the Commission and paid for out of EWRP funds. Voluntary plans shall not include savings from measures not requested by customers, nor savings from measures that have a savings life less than ten years.

Our proposal includes amortizing the costs over 5-7 years the utilities can help customers lower their monthly payments for the programs well below the 2020 level.² For example, in 2020 the AEP the monthly charge was \$1.95 per month and for the same spending amortized over 5 years the charge would drop to \$.55 the first year.

As I said, the energy waste reduction and peak demand provide significant value to the grid. For example, when utilities can use smart thermostats to help customers voluntarily reduce usage on the hottest days of summer and coldest days of winter, those very small incremental changes can provide great value in terms of both reliability and lower bills.

I realize I have not covered every aspect of every issue today, but the bottom line is that the best thing the legislature can do is repeal HB 6 in its entirety, or repeal it with some provisions to address energy waste reduction and renewable energy policies. Thank you for your attention today and I am happy to answer your questions.

² Utilities amortize their investment in the grid this way. The energy efficiency investments benefit customers for many years just as the wires last many years. Hence, this is a logical way to pay for energy waste reduction.